

New green bank can spur demand for low-carbon innovation

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Body

One can see the logic of giving away and installing 100,000 smart thermostats across the province, an initiative Environment and Climate Change Minister Chris Ballard recently announced along with the unveiling of a new provincial agency, the Green Ontario Fund.

Homeowners who sign up for the offer also get a free energy audit, part of a broader effort to reduce the carbon footprint of Ontario's building stock.

As a first step, the campaign is an attention getter. Everyone likes free stuff, especially if what you're getting is a cool piece of iPhone-esque gadgetry that will help you save money in the long run. Smart thermostats help homeowners use the least amount of energy to achieve just the right amount of comfort.

This is core to the agency's mandate. Using \$377 million raised through the province's carbon cap-and-trade program, the fund was created to help home and business owners get easier access to GHG-reducing technologies by aggregating information, incentives and low-cost financing programs under one roof (found online at GreenOn.ca).

If we've learned anything from the record-breaking hurricanes, wildfires and temperatures witnessed this summer, it's that we need to double down on climate action. But as the agency embarks on this important mission, it's worth reminding ourselves that rebates and other incentives alone won't get us to where we need to be. We have to be more creative than that.

Earlier indication suggests we will. Ontario's Climate Change Action Plan, released in June 2016, promised to create a "green bank" modelled on similar agencies in the United States - namely, Efficiency Vermont and the New York Green Bank.

Green banks, as a new tool of government, are a 21st-century response to a global challenge and opportunity. They are generally set up to invest in the transition to a low-carbon economy in a way that reduces GHG emissions, while also creating jobs and economic wealth.

Why won't conventional banks do this? Conventional lenders shy away from these types of investments because they lack the experience and expertise needed to properly assess them, resulting in a persistent - and increasingly false - belief that "green" projects and technologies are too risky, or don't deliver a high enough return on investment.

Conventional lenders default to the perceived safest bet, which has historically been a huge barrier to the adoption of low-carbon technologies.

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Green banks, ideally, are created to lower that barrier. They staff up with experts who know the sector and technologies inside and out and have experience developing projects. They help mainstream green projects by using what is a relatively small amount of public capital to show private investors that, yes, there's money to be made and it's not as risky as they think.

It seems to work. The green bank in Connecticut, for example, has found that for every \$1 of public money it invests, up to \$10 in private investment has followed.

In New York, a startup company called Sealed has used a \$7.5 million (U.S.) low-interest credit facility from that state's green bank to prove to private investors that its home retrofit business model works.

Sealed covers the cost of energy-efficiency upgrades in homes, then gets paid back with interest from the energy savings it guarantees for customers. The company used the green bank credit facility to finance a successful 400-household pilot project. It now has a track record that is making it easier to secure private financing.

The point here is that banks don't give away money, so why should a green bank?

This isn't to suggest that incentives and rebates don't have a place. The Green Ontario Fund's smart thermostat campaign will create much-needed awareness of the agency, and directly engage 100,000 provincial households in an energy conservation dialogue. Toronto-based smart thermostat maker Ecobee, one of the fastest growing tech companies in Ontario, will benefit from market demand created.

And imagine if those devices were networked together and intelligently controlled to help manage demand on the power grid. It could prove an effective way to reduce electricity system costs.

It is still early days. When Ballard launched the agency on Aug. 30, he made clear the thermostat campaign was just the first of several programs to be launched over the coming years as the green bank gets into full gear.

As those programs are conceived, it's essential that we resist the temptation of giveaways. We need to regularly remind ourselves that the Green Ontario Fund will be more effective as a bank guided by a public mandate, not a charity funded by price on carbon.

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